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SUBJECT: Guangzhou IPR Officials Tout 2005 Achievements,
List Markets of Concern

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protect accordingly.

1. (U) Summary: In the run-up to National IPR Week,
Guangzhou's IP enforcement agencies released a white paper
detailing their 2005 accomplishments and some 2006 goals.
Guangzhou authorities will focus their resources on specific
markets within the city in 2006, and highlighted leather,
auto parts, and cargo terminals as areas of particular
concern. Administrative agencies transferred "over 60" IPR
cases to the police in 2005, and Guangzhou courts completed
16 criminal IPR cases. All of Guangzhou's municipal offices
are now using legitimate software, though district and
country level offices will complete the transition by the
end of 2006. End Summary

2. (U) Guangzhou IP agencies hosted a press conference on
April 18, where they distributed the city's annual report on
IPR protection and development. Econoff also met with
officials from Guangzhou's Market Rectification Office
(MORO) and Technical Supervision Bureau (TSB). Post will
report separately on similar press events by Guangdong and
Shenzhen authorities.

New Efforts

3. (U) According to the white paper report, Guangzhou became
a "National Pilot IPR City" in 2005, and has since gained
approval from the State IP Office to become one of China's
"National Model IPR Cities." The report claims that inter-
agency coordination and communication with central
authorities have improved as a result of this effort.
Separately, Guangzhou established local IP offices in each
of its districts and county-level jurisdictions in 2004, and
the report claims that local coordination improved in 2005.
Guangzhou's recently released 11th Five-Year Plan
specifically highlights IP enforcement -- reportedly the
first time IPR has been included. The report also notes
that Guangzhou Vice Mayor Wang Xiaoling is the leading
municipal official on IPR strategy and heads Guangzhou's IPR
working group.

Targeted Markets

¶4. (U) A Guangzhou IPO official announced at the press conference that authorities will their focus enforcement efforts on wholesale and retail markets selling leather goods and auto parts, as well as cargo terminals in 2006. The report lauded campaigns in 2005 that targeted auto parts, trade expositions, and street vendors of fake DVDs and CDs. Authorities also released a list of specific markets of concern within the city, which will be targets of IP enforcement in 2006. The markets are as follows:

Leather: Zi Yuan Gang Market
Watches: Zhan Xi Market
Cosmetics and Beauty Products: Xing Fa Market
Auto Parts: Guang Yuan Road and Heng Fu Road
Audio-Visual Products: Guangdong A.V. City
Cell Phones: Ming Yuan Market
Software: Tian He Computer City
Cargo terminals

¶5. (SBU) In a separate meeting, the Guangzhou MORO vice director said enforcement in markets primarily involves periodic raids by plainclothes officers, who act on independent investigations and tips. He said authorities will continue to post public anti-counterfeiting notices at large markets around the city, including lists of famous brands that should not be sold. (Note: Following the meeting, Econoff visited the Zi Yuan Gang leather market and saw such a notice, which included the brand names and logos for approximately 20 foreign brands. The sign threatened criminal prosecution to shop owners and landlords. However, many of the shops sold fake products anyway, including Louis Vitton, Chanel, Coach, Dunhill, and Gucci. End note)

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Criminal Cases

¶6. (U) Guangzhou's intermediate and local courts completed 16 criminal IPR cases in 2005, convicting 44 people (a breakdown of these criminal cases by category was unavailable). They also handled 23 criminal cases under the "inferior goods" law and 54 cases under the "illegal operation" law.

Case Transfers

¶7. (U) Guangzhou administrative departments transferred "over 60" IP cases to the Public Security Bureau (PSB) in 2005 (a breakdown of these cases by category was unavailable). Among the cases transferred were those involving Duracell batteries, Sony earphones, brake pads, ink printer cartridges, auto filters, and athletic shoes. The report also touted a court victory by Warner Brothers against the Jia Zhou Hong karaoke club.

¶8. (U) AIC investigated 945 trademark cases in 2005 and transferred four cases to PSB. One of the cases involved a cosmetics counterfeiting operation in Baiyun District, in which 14 well-known trademarks were found and four suspects were arrested.

¶9. (U) The report says that the Guangzhou Copyright Bureau handled 15 copyright cases, transferred 220 suspects to PSB, and destroyed 2,000 "warehouse hideouts" (it does not state how many cases were transferred for criminal prosecution). Copyright officials handled 45 copyright complaints during the two Canton Trade Fairs in 2005, of which 39 were verified. The report also mentions that Copyright Bureau transferred one internet piracy case, and three suspects, to PSB.

Civil Cases

¶10. (U) Guangzhou courts concluded 1,064 civil IPR cases in 2005, including 712 copyright, 219 patent, 112 trademark, 19 unfair competition, 4 contract, and 3 other cases. According to the report, forty percent of the civil cases were resolved through mediation. The report states these numbers are "far ahead of other intermediate courts of China."

Customs

¶11. (U) The Guangzhou Customs office investigated 44 IPR cases in 2005. Separately, Huangpu Customs investigated 129 IPR cases. Of the Huangpu cases, 124 were trademark, 3 were patent, and 1 was copyright.

Public Security Bureau

¶12. (U) The report states that Guangzhou PSB solved 497 IPR-related cases and arrested 869 suspects in 2005. Officers shut down 20,000 stalls, businesses, and warehouses. Coordinating with the Copyright Bureau, PSB investigated 3,107 print shops, 692 A.V. stores, 431 bookstores, and 201 ships.

"Less Counterfeiting," More Schemes

¶13. (U) The director of Guangzhou TSB said his office has successfully cracked down on counterfeit production lines in the city. He admitted Guangzhou markets still sell fake products, but said fewer fake products are being manufactured in Guangzhou. Guangzhou TSB's three primary enforcement strategies are site raids, cooperation with investigative agencies that work for rights holders, and

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tips from informants. He described counterfeiters as "more cunning" than in previous years, as they no longer centralize their operations, choosing instead to use different facilities for production, printing, and packaging. They also continually changes locations and manufacture in residences. He said Guangzhou authorities are now more closely monitoring rental properties to determine how they are being used.

Software Legalization

¶14. (U) According to the report, all 41 municipal departments have installed legitimate computer software. Guangzhou MORO's vice director said district and county level offices are still buying legitimate software, and the process will be completed by the end of 2006.

Education and Training

¶15. (U) Officials touted Guangzhou as a base for IPR education and training in South China. Three universities in Guangzhou have set up IPR schools: Jinan University, Zhongshan University, and South China University of Technology. These IPR schools all offer masters degrees, and Jinan is considering a doctorate program. In addition, Guangdong University of Finance set up an IPR research institute in 2005. The schools all invite guest lecturers from the private sector.

¶16. (U) The report highlighted three training seminars organized by IP agencies in 2005: a May course on patent enforcement organized by the intellectual Property Office (IPO), a September forum on trademarks organized by the

Administration of Industry and Commerce (AIC), and an October seminar on copyright protection organized by the Copyright Bureau. The report also highlighted ongoing training with Hong Kong IPR authorities and industry associations.

Innovation -----

¶17. (U) Echoing their central and provincial counterparts, Guangzhou officials emphasized the importance of innovation and scientific development for economic growth. The report highlighted successful local enterprises and mentioned a municipal program that encourages the development of pilot high-tech enterprises. The MORO vice director said IPR enforcement is rooted above all in the need to improve China's environment for innovation. Satisfying foreign governments in regards to IP is important, he said, but is secondary to China's economic and social development.

Patent and Trademark Applications -----

¶18. (U) Guangzhou saw 11,012 patent applications in 2005, an increase of 34 percent over 2004. These included 2,029 invention patent applications. The accumulated number of trademark applications reached 98,000 in 2005, an increase of 5.6 percent. According to officials, Guangzhou has more trademark applications than any other provincial capital. The report stated that Guangzhou has seven national famous brands and 176 provincial famous brands.

Comment -----

¶19. (SBU) Among the many statistics and pronouncements of the new report, the list of targeted markets within Guangzhou stood out as particularly useful. All of the markets are large and are known to sell fake goods (though they also sell plenty of legitimate products). Though the report included some information on criminal cases and transfers, it did not break them down by category. Post has submitted a request to Guangdong authorities for a breakdown

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of criminal cases by code of law for 2004 and 2005. In addition, Post plans to visit the three IPR schools and one IPR institute in Guangzhou for outreach and public diplomacy.

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